

CITY OF LEON

LEON, KANSAS

Special Financial Statements

December 31, 2011

City of Leon, Kansas

CONTENTS

December 31, 2011

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		1
Summary of Cash Receipts, Expenditures and Unencumbered Cash	1	2
Summary of Expenditures - Actual and Budget	2	3
Statement of Cash Receipts and Expenditures - Actual and Budget		
General Fund	3	4
Special Revenue Funds	3	5-7
Capital Project Fund	3	8
Enterprise Funds	3	9-11
Notes to Financial Statements		12-18

# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Leon  
Leon, Kansas

We have audited the accompanying primary government financial statements of the individual funds of the City of Leon, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2010 financial statements and, in our report dated August 26, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of this component unit, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, the changes in financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company, LLC*

Certified Public Accountants  
September 14, 2012

## City of Leon, Kansas

## SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

Funds	Unencumbered Cash Balance 12/31/10	Receipts	Expenditures	Unencumbered Cash Balance 12/31/11	Accounts Payable and Encumbrances	Cash Balance 12/31/11
Governmental Funds:						
General	\$ 27,836	127,788	125,576	30,048	-	30,048
Special Revenue						
Library	1,302	2,829	2,774	1,357	-	1,357
Employee Benefits	3,178	30,240	27,512	5,906	-	5,906
Law Enforcement	5,616	76,291	80,385	1,522	-	1,522
Special Street and Highway	4,755	20,553	18,640	6,668	-	6,668
Senior Housing	1,239	30,905	31,551	593	-	593
Capital Improvement	1,698	-	-	1,698	-	1,698
Capital Project Fund						
Water Well #10 Construction	136,538	-	136,538	-	-	-
Proprietary Funds:						
Enterprise						
Waterworks	4,959	141,545	142,364	4,140	-	4,140
Sewer	24,379	102,882	95,892	31,369	-	31,369
Refuse	11,840	47,161	48,684	10,317	-	10,317
Total Primary Government	\$ 223,340	580,194	709,916	93,618	-	93,618

See notes to financial statements

## City of Leon, Kansas

## SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Governmental Funds:					
General	\$ 136,500	-	136,500	125,576	(10,924)
Special Revenue					
Library	4,000	-	4,000	2,774	(1,226)
Employee Benefits	57,000	-	57,000	27,512	(29,488)
Law Enforcement	140,000	-	140,000	80,385	(59,615)
Special Street and Highway	18,640	-	18,640	18,640	-
Senior Housing	32,390	-	32,390	31,551	(839)
Proprietary Funds:					
Enterprise					
Waterworks	123,200	-	123,200	142,364	19,164
Sewer	113,600	-	113,600	95,892	(17,708)
Refuse	62,300	-	62,300	48,684	(13,616)
Expenditures subject to current budget	<u>\$ 687,630</u>	<u>-</u>	<u>687,630</u>	573,378	<u>(114,252)</u>
Add expenditures of unbudgeted funds					
Capital project fund				136,538	
Total Expenditures, Primary government				<u>\$ 709,916</u>	<u>✓</u>

## City of Leon, Kansas

**GENERAL FUND****STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<b>RECEIPTS</b>				
Ad Valorem property tax	\$ 55,875	62,695	65,529	(2,834)
Delinquent taxes	3,998	3,585	520	3,065
Vehicle and other taxes	15,507	14,296	16,244	(1,948)
Franchise tax	38,638	39,427	37,800	1,627
Liquor tax	1,078	77	-	77
Fines, fees, and permits	1,298	1,915	4,800	(2,885)
Interest	956	523	800	(277)
Reimbursed expenditures	2,974	3,575	-	3,575
Other revenue	1,833	1,695	800	895
Transfers from other funds	5,000	-	-	-
	<u>127,157</u>	<u>127,788</u>	<u>126,493</u>	<u>1,295</u>
<b>EXPENDITURES</b>				
Salaries and benefits	64,469	49,635	45,500	4,135
Contractual services	30,849	38,859	33,300	5,559
Commodities	10,271	27,553	10,000	17,553
Street improvements	-	6,469	15,000	(8,531)
Capital outlay	1,236	3,060	32,700	(29,640)
	<u>106,825</u>	<u>125,576</u>	<u>136,500</u>	<u>(10,924)</u>
Receipts over (under) expenditures	20,332	2,212		
UNENCUMBERED CASH, beginning	<u>7,504</u>	<u>27,836</u>		
UNENCUMBERED CASH, ending	<u>\$ 27,836</u>	<u>30,048</u>		

See notes to financial statements

## City of Leon, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
<b><u>LIBRARY FUND</u></b>				
RECEIPTS				
Ad Valorem property tax	\$ 2,153	2,124	2,220	(96)
Delinquent taxes	190	148	180	(32)
Vehicle and other taxes	708	557	628	(71)
	<u>3,051</u>	<u>2,829</u>	<u>3,028</u>	<u>(199)</u>
EXPENDITURES				
Appropriation to the library board	<u>3,051</u>	<u>2,774</u>	<u>4,000</u>	<u>(1,226)</u>
	<u>3,051</u>	<u>2,774</u>	<u>4,000</u>	<u>(1,226)</u>
Receipts over (under) expenditures	-	55		
UNENCUMBERED CASH, beginning	<u>1,302</u>	<u>1,302</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,302</u>	<u>1,357</u>		
 <b><u>EMPLOYEE BENEFITS FUND</u></b>				
RECEIPTS				
Ad Valorem property tax	\$ 21,225	23,469	24,529	(1,060)
Delinquent taxes	1,564	1,352	70	1,282
Vehicle and other taxes	5,617	5,419	6,172	(753)
Transfer from other funds	<u>5,000</u>	-	<u>25,500</u>	<u>(25,500)</u>
	<u>33,406</u>	<u>30,240</u>	<u>56,271</u>	<u>(26,031)</u>
EXPENDITURES				
Payroll taxes and benefits	<u>37,129</u>	<u>27,512</u>	<u>57,000</u>	<u>(29,488)</u>
Receipts over (under) expenditures	(3,723)	2,728		
UNENCUMBERED CASH, beginning	<u>6,901</u>	<u>3,178</u>		
UNENCUMBERED CASH, ending	<u>\$ 3,178</u>	<u>5,906</u>		

See notes to financial statements

## City of Leon, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance - Over (Under)
	2010 Actual	Actual	Budget	
<b><u>LAW ENFORCEMENT</u></b>				
<b>RECEIPTS</b>				
Fines and fees	\$ 102,403	76,287	140,000	(63,713)
Other	-	4	-	4
	<u>102,403</u>	<u>76,291</u>	<u>140,000</u>	<u>(63,709)</u>
<b>EXPENDITURES</b>				
Salary and benefits	37,190	35,223	50,000	(14,777)
Contractual services	26,003	24,649	41,000	(16,351)
Commodities	21,691	14,340	25,500	(11,160)
Debt service	6,903	6,173	6,500	(327)
Transfer to other funds	5,000	-	17,000	(17,000)
	<u>96,787</u>	<u>80,385</u>	<u>140,000</u>	<u>(59,615)</u>
Receipts over (under) expenditures	5,616	(4,094)		
UNENCUMBERED CASH, beginning	-	5,616		
UNENCUMBERED CASH, ending	<u>\$ 5,616</u>	<u>1,522</u>		
<b><u>SPECIAL STREET AND HIGHWAY FUND</u></b>				
<b>RECEIPTS</b>				
Gas tax payments				
State	\$ 17,149	17,538	16,100	1,438
County	2,831	3,015	2,519	496
Reimbursed expenditures	5,915	-	7	(7)
	<u>25,895</u>	<u>20,553</u>	<u>18,626</u>	<u>1,927</u>
<b>EXPENDITURES</b>				
Salary and benefits	5,000	3,921	-	3,921
Contractual services	8,472	7,774	13,200	(5,426)
Commodities and other	7,747	5,070	3,000	2,070
Capital outlay	-	1,875	2,440	(565)
	<u>21,219</u>	<u>18,640</u>	<u>18,640</u>	<u>-</u>
Receipts over (under) expenditures	4,676	1,913		
UNENCUMBERED CASH, beginning	79	4,755		
UNENCUMBERED CASH, ending	<u>\$ 4,755</u>	<u>6,668</u>		

See notes to financial statements



## City of Leon, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
<u>SENIOR HOUSING FUND</u>				
RECEIPTS				
Rental payments	\$ 29,978	30,905	32,454	(1,549)
EXPENDITURES				
Contractual services	-	2,258	-	2,258
Commodities and other	-	298	3,400	(3,102)
Debt service	29,885	28,995	28,990	5
	29,885	31,551	32,390	(839)
Receipts over (under) expenditures	93	(646)		
UNENCUMBERED CASH, beginning	1,146	1,239		
UNENCUMBERED CASH, ending	\$ 1,239	593		
<u>CAPITAL IMPROVEMENT FUND</u>				
RECEIPTS				
	\$ -	-		
EXPENDITURES				
	-	-		NOT APPLICABLE
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	1,698	1,698		
UNENCUMBERED CASH, ending	\$ 1,698	1,698		

## City of Leon, Kansas

## Capital Project Fund

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>WATER WELL #10 CONSTRUCTION</u>				
RECEIPTS				
Proceeds from long-term debt	\$ 138,000	-		
EXPENDITURES				
Contractual services	1,462	1,334		
Capital outlay	-	135,204		
	1,462	136,538		
			NOT APPLICABLE	
Receipts over (under) expenditures	136,538	(136,538)		
UNENCUMBERED CASH, beginning	-	136,538		
UNENCUMBERED CASH, ending	\$ 136,538	-		

## City of Leon, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010			Over
	Actual	Actual	Budget	(Under)
<b><u>WATERWORKS FUND</u></b>				
<b>RECEIPTS</b>				
Sales	\$ 106,651	141,213	110,000	31,213
Service fees and other	-	-	-	-
Reimbursements	-	332	-	332
	<u>106,651</u>	<u>141,545</u>	<u>110,000</u>	<u>31,545</u>
<b>EXPENDITURES</b>				
Salary and benefits	18,544	8,713	18,000	(9,287)
Contractual services	43,889	34,001	51,000	(16,999)
Commodities	42,336	89,039	20,000	69,039
Capital outlay	14,709	5,532	28,200	(22,668)
Debt service	5,079	5,079	-	5,079
Transfer to other funds	-	-	6,000	(6,000)
	<u>124,557</u>	<u>142,364</u>	<u>123,200</u>	<u>19,164</u>
Receipts over (under) expenditures	(17,906)	(819)		
UNENCUMBERED CASH, beginning	<u>22,865</u>	<u>4,959</u>		
UNENCUMBERED CASH, ending	\$ 4,959	4,140		

## City of Leon, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010			Over
	Actual	Actual	Budget	(Under)
<b>SEWER FUND</b>				
<b>RECEIPTS</b>				
User fees	\$ 68,935	78,408	81,000	(2,592)
Special assessments	1,383	2,124	2,000	124
Reimbursement - long-term debt proceeds	-	22,350	-	22,350
	<u>70,318</u>	<u>102,882</u>	<u>83,000</u>	<u>19,882</u>
<b>EXPENDITURES</b>				
Salary and benefits	26,313	17,881	9,261	8,620
Contractual services	4,827	13,764	19,000	(5,236)
Commodities	3,287	1,251	5,000	(3,749)
Capital outlay	2,425	-	44,000	(44,000)
Debt service	35,480	62,996	33,839	29,157
Transfer to other funds	5,000	-	2,500	(2,500)
	<u>77,332</u>	<u>95,892</u>	<u>113,600</u>	<u>(17,708)</u>
Receipts over (under) expenditures	(7,014)	6,990		
UNENCUMBERED CASH, beginning	<u>31,393</u>	<u>24,379</u>		
UNENCUMBERED CASH, ending	\$ 24,379	31,369		

City of Leon, Kansas

**Enterprise Funds**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		<u>2011</u>		
	<u>2010</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance -</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
<b><u>REFUSE FUND</u></b>				
<b>RECEIPTS</b>				
Refuse collection fees	\$ 49,686	47,161	51,000	(3,839)
<b>EXPENDITURES</b>				
Salary and benefits	7,268	4,700	2,000	2,700
Contractual services	44,421	43,777	51,000	(7,223)
Commodities	-	207	500	(293)
Capital outlay	-	-	8,800	(8,800)
	<u>51,689</u>	<u>48,684</u>	<u>62,300</u>	<u>(13,616)</u>
Receipts over (under) expenditures	(2,003)	(1,523)		
UNENCUMBERED CASH, beginning	<u>13,843</u>	<u>11,840</u>		
UNENCUMBERED CASH, ending	<u>\$ 11,840</u>	<u>10,317</u>		

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Leon, Kansas is a municipal corporation incorporated under the laws of the State of Kansas. The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council members. These financial statements present only the City of Leon as the primary government.

Component Units

The Leon Public Library, a component unit of the City of Leon, Kansas, is not included in these financial statements.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of presentation described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2011:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Capital Project Funds--to account for financial resources segregated for the acquisition of major capital facilities other than those financed totally by proprietary funds.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The City's 2011 budget was not amended.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. BUDGETARY INFORMATION (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using a modified cash basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for the Capital Improvement special revenue fund.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

As of December 31, 2011, the City held no such investments.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2011.



## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 4. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2011, the carrying amount of the City's deposits was \$93,568. The bank balance totaled \$111,309. As of December 31, 2011, 100% of the bank balance was covered by FDIC insurance.

Composition of Cash Balance

Cash on hand	\$ 50
Amount on deposit with financial institutions	
City checking accounts	3,865
Walnut Grove Housing account	10,852
Water well #10 construction account	7,912
Money market savings account	70,939
	<u>\$ 93,618</u>

## 5. LONG-TERM DEBT

Changes in the long-term liabilities for the City for the year ended December 31, 2011 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/11</u>	<u>Interest Paid</u>
<b>General Obligation Bonds:</b>									
Series 1998	4.65-5.00%	10/01/98	\$ 345,000	09/01/18	\$ 185,000	-	20,000	165,000	8,990
Series 2010	2.75-4.50%	11/01/10	138,000	09/01/26	138,000	-	-	138,000	-
Series 2011	1.78-4.57%	07/01/11	22,350	09/01/28	-	22,350	-	22,350	-
					<u>323,000</u>	<u>22,350</u>	<u>20,000</u>	<u>325,350</u>	<u>8,990</u>
<b>Temporary notes:</b>									
Sewer improvements	7.25%	04/16/08	29,800	04/16/11	<u>29,800</u>	<u>-</u>	<u>29,800</u>	<u>-</u>	<u>1,011</u>
<b>Capital leases:</b>									
Oil Distributor	5.15%	06/12/08	14,500	06/12/11	2,573	-	2,573	-	66
2005 Tahoe	6.25%	07/17/08	16,999	07/17/11	<u>6,013</u>	<u>-</u>	<u>6,013</u>	<u>-</u>	<u>160</u>
					<u>8,586</u>	<u>-</u>	<u>8,586</u>	<u>-</u>	<u>226</u>
<b>Revolving Loan:</b>									
Sewer improvements	3.74%	03/01/93	455,930	03/01/14	<u>90,536</u>	<u>-</u>	<u>29,067</u>	<u>61,469</u>	<u>3,118</u>
<b>Water Connection Contract:</b>									
RWD #6	5.00%	11/04/85	87,153	06/01/25	<u>52,377</u>	<u>-</u>	<u>2,518</u>	<u>49,859</u>	<u>2,562</u>
Total Long-Term Debt					<u>\$ 504,299</u>	<u>22,350</u>	<u>89,971</u>	<u>436,678</u>	<u>15,907</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 5. LONG-TERM DEBT (Continued)

Current maturities of long-term debt and interest through final maturity are as follows:

	Year ending December 31								
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2028	Total
<b>Principal</b>									
General Obligation Bonds	\$ 23,850	26,000	36,000	36,100	36,100	106,200	57,600	3,500	325,350
Sewer revolving loan	30,165	31,304	-	-	-	-	-	-	61,469
RWD #6 water connection	2,646	2,782	2,924	3,074	3,231	18,810	16,392	-	49,859
Total Principal	56,661	60,086	38,924	39,174	39,331	125,010	73,992	3,500	436,678
<b>Interest</b>									
General Obligation Bonds	18,145	12,963	11,845	10,337	8,803	23,549	8,484	238	94,364
Sewer revolving loan	2,019	881	-	-	-	-	-	-	2,900
RWD #6 water connection	2,433	2,298	2,155	2,006	1,848	6,586	1,522	-	18,848
Total Interest	22,597	16,142	14,000	12,343	10,651	30,135	10,006	238	116,112
Total Principal and Interest	\$ 79,258	76,228	52,924	51,517	49,982	155,145	83,998	3,738	552,790

## 6. COMPLIANCE WITH KANSAS STATUTES

Required Publications

The City did not publish an annual financial statement for 2011, as required by Kansas statutes governing third class cities. This is a violation of K.S.A 12-1608.

Budget Violation

Expenditures in the Waterworks fund exceeded the adopted budget the \$19,164. This is a violation of K.S.A. 79-2935.

## 7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Leon contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

7. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 - 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute was 7.74% at December 31, 2011. The City of Leon contribution to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$7,679, \$9,522 and \$9,783 respectively, equal to the statutory required contribution for each year.

8. COMPENSATED ABSENCES

The City grants compensated absences in the form of vacation and sick leave for all full-time employees.

Vacation Leave

Vacation leave is accumulated monthly though out the calendar year in accordance with the employee's time of service, as follows:

<u>Yrs. of service</u>	<u>Hours earned</u>
0 - 5	8 hours per month
6 - 10	10 hours per month
11 - 15	12 hours per month
16 – or more	14 hours per month

A maximum of 120 hours of vacation can be accumulated before mandatory usage is required. In addition to vacation leave, full-time employees earn one day per year of discretionary leave, to be used at the choice of the employee.

Sick Leave

Full-time employees receive eight hours of sick leave per month, limited to 45 days of total accumulation. Retiring employees may be awarded pay equal to an amount up to 50% of their accumulated sick leave.

Compensated absences have not been recorded in the accompanying financial statements.

City of Leon

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

9. CAPITAL IMPROVEMENT PROJECTS

2011 capital improvement authorizations compared to actual expenditures, are as follows:

	<u>Authorization</u>	<u>Expenditures to Date</u>	<u>Excess Authorization</u>
Water Well #10 Construction	<u>\$ 138,000</u>	<u>138,000</u>	<u>-</u>

10. SUBSEQUENT EVENTS

Leon Sewer Improvement Project

During 2011, the City approved a capital project for sanitary sewer improvements within the corporate limits of the City of Leon. As of the date of this report, the City has been approved to receive \$500,000 in federal Community Development Block Grant funds, and a Kansas Department of Health and Environment revolving loan of \$732,253 to fund the project. The total cost of the project is estimated to be \$1,252,253.

11. MANAGEMENT'S DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through September 14, 2012, which is the date the financial statements were available to be issue.